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ZNY CCCCC ZZH
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FM AMEMBASSY ZAGREB
TO RUEHC/SECSTATE WASHDC PRIORITY 9394
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 ZAGREB 000431

SIPDIS

E.O. 12958: DECL: 07/13/2019

TAGS: [PGOV](#) [KCOR](#) [HR](#)

SUBJECT: FORMER MINISTER RONCEVIC AND UN AMBASSADOR JURICA
TARGETED IN CORRUPTION PROBES

Classified By: Political Officer Chris Zimmer for reasons 1.4 (b) and (d).

¶1. (C) SUMMARY: Croatia's Chief State Prosecutor Mladen Bajic plans to file criminal charges against former Assistant Minister of Defense Ivo Bacic in the next week, followed by charges against former Minister of Defense and Interior Berislav Roncevic, for abuse of office relating to the purchase of military trucks between 2003 and 2005. Details of the investigation are being closely held as Roncevic has strong allies within the ruling coalition and Parliament has already cleared him of wrongdoing in this case. Bajic expressed concern that his job could be in jeopardy if there are any missteps in this case. He also discussed the corruption case against Croatia's Ambassador to the United Nations, Neven Jurica. These are the first cases conducted under the expanded investigative authority of the Prosecutor's Office for Suppression of Organized Crime and Corruption (USKOK). END SUMMARY.

¶2. (C) Poloff met with Croatia's Chief State Prosecutor Mladen Bajic and Head of USKOK Dinko Cvitan in Bajic's office on July 10 to discuss details of the investigation against former Minister of Defense and Interior and current Member of Parliament Berislav Roncevic, and former Assistant Minister of Defense Ivo Bacic. Bajic reviewed the background of the case and his plans and concerns for the coming weeks, as well as a possible request for USG assistance in obtaining financial records for another prominent case, against the Croatian Ambassador to the United Nations, Neven Jurica.

THE CASE AGAINST RONCEVIC

¶3. (C) In late 2003, the Croatian Armed Forces asked the Ministry of Defense (MoD) for a tender to procure 76 military trucks at a cost of 35 million kuna (USD 7 million). Nine companies submitted offers which met the technical standards, but most came in around 39 million kuna. The relevant MoD office reviewed the offers and selected the best five, led by MAN Importer as the best option within the budget, and sent the recommendations to Assistant Minister Bacic's office on November 17, 2004. On November 18, 2004, Bacic announced the five best offers, but his list excluded MAN, and included the company EuroKamion. Bacic later released a letter, dated December 15, 2004, cancelling the tender due to an insufficient budget. On December 23, Minister Roncevic announced that the tender was cancelled due to a lack of funds and opened direct negotiations with EuroKamion in a letter drafted by Bacic. In a meeting in Bacic's office on December 28, a contract was signed for 39 trucks at a cost of 34.5 million kuna. In January 2005, Bacic released retroactively signed minutes to a meeting on December 27, 2004 for a MoD committee meeting that justified the sole source procurement.

¶4. (C) President Mesic rasied public concerns about the procurement, and allegations of corruption surrounding the deal, in January 2005. But a formal investigation into the "Trucks Affair," as it is locally known, did not begin until

December 2007, when the prosecutor, Bajic, says he read a newspaper article mentioning irregularities in the procurement process. During the investigation, Bajic discovered that IVECO Company, a representative of EuroKamion, met with Bacic on December 18, during which EuroKamion delivered an offer of 44 trucks at the original tender price -- nearly twice as expensive as most of the other bids. The December 15 letter cancelling the tender was released subsequent to this meeting. Bajic also discovered that minutes of the committee meeting on December 27 were forged in order to justify the sole sourcing.

15. (C) Bajic said that the police are not very involved in the current investigation and do not know many of the details he was outlining. He did say that he has the support of the current Interior Minister Karamarko in pursuing this case, but added that while Karamarko is eager to complete the Roncevic investigation, Bajic prefers to build a more solid case against Roncevic before issuing an indictment. He said that the case against Bacic should be complete within one week and he will initially charge only Bacic, to try to gain Bacic's cooperation in providing information against Roncevic. Bajic's financial investigators are still reviewing several years of EuroKamion records to determine the exact relationship between the company and Bacic and Roncevic. At this point, the charges include abuse of authority and signing contracts damaging to the state, with penalties ranging from one to ten years in prison, but Bajic said that he may file additional charges once the financial investigation is complete. Bajic said that both he and USKOK chief Dinko Cvitan are certain that they will be replaced if they lose this case.

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16. (U) Any prosecution of Roncevic would necessitate a hearing to lift his parliamentary immunity. Roncevic has strong allies within Parliament and the ruling HDZ party. In May 2009, a parliamentary investigative committee, with a majority of members from the ruling coalition, declared that Roncevic carried out the trucks purchase in line with all applicable laws and regulations. HDZ Vice President Andrej Hebrang is a very vocal supporter of Roncevic and maintains his innocence. He has also publicly stated that if anyone is guilty, prosecutors should go after Bacic and not Roncevic. As the prosecutor's investigation has moved forward, however, another HDZ vice president, Vladimir Seks, has taken a more cautious line, stating that if Roncevic were indicted, then it would be incumbent upon Parliament to strip his immunity.

THE CASE AGAINST JURICA

17. (C) Bajic also discussed a second corruption case, this one against current Croatian Ambassador to the United Nations Neven Jurica. (Note: Jurica, who is a close friend of former PM Ivo Sanader, has been in Zagreb "for medical reasons" for several months, with his deputy as Charge in New York). Bajic said that Foreign Minister Jandrokovic ordered an internal audit into finances at Croatia's mission in New York in April 2009 and immediately informed Bajic when the audit uncovered irregularities. Bajic said that Jurica is under investigation for abuse of position and possible embezzlement. Jurica spent at least USD 140,000 for personal purposes, much of it in Las Vegas, on official credit cards for which he submitted falsified expense reports for representational events that never occurred. Jurica immediately returned USD 140,000 when he learned of the audit. Bajic believes Jurica spent even more money, but Jurica destroyed the passwords and credit card records when he learned of the investigation. Bajic is waiting for the Foreign Ministry to send copies of all credit card records. He may ask for USG assistance to obtain records if the Ministry is unable to provide them, since all the credit cards are issued by US banks.

18. (C) USKOK is pursuing both the Roncevic and Jurica investigations under its expanded authorities that took effect on July 1, 2009, under the revised Law on Criminal Procedures. This law gave USKOK most of the responsibilities that previously resided with investigative judges including the ability to open and lead investigations, collect evidence, question witnesses, etc. Bajic said that the new authority greatly enhances the prosecutor's ability to control leaks and use contacts with the media when constructive.

19. (C) COMMENT: Roncevic or Jurica would be by far the "biggest fish" to be prosecuted on corruption charges by USKOK and Bajic to date. The prosecutors, however, remain rather cautious about aggressively going after such politically sensitive targets. Bajic says he does not yet have enough evidence to successfully try Roncevic, and is waiting for the results of the financial investigation to determine whether Roncevic or his associates profited from the deal. By filing charges against Bacic, he is also hoping to pressure Bacic into implicating Roncevic. This strategy poses several risks. First, the opposition and media are likely to argue that he is letting Roncevic off the hook if only Bacic is named. Second, Roncevic's allies are likely to pressure Bacic to remain quiet. Third, he risks alienating his ally at the Ministry of the Interior, Karamarko, by not moving quickly and aggressively against Roncevic. END COMMENT.
BRADTKE